GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2993
ANSWERED ON:10.08.2001
FOREIGN FUND BROUGHT INTO THE COUNTRY
RAGHUNANDAN LAL BHATIA

Will the Minister of FINANCE be pleased to state:

(a) whether the foreign funds brought into the country by way of borrowings by entrepreneurs to improve liquidity have been getting exemption from withholding tax;

(b) if so, whether foreign funds brought into the country as advances for export are not getting treated in the same way; and

(c) the policy of the Government in regard to such deposit or borrowings brought in for the purpose of improving liquidity?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN)

a) Yes, Sir. Interest payable on moneys borrowed or debt incurred in a foreign country (external commercial borrowings) / foreign currency loan agreements approved and or entered into before 1st June, 2001 is exempt from withholding tax under section 10(15)(iv) of the Income Tax Act, 1961.

b) Advance deposits for exports are not getting treated in the same way.

c) Advance deposits for exports are in the nature of securitisation for future export receivables. They do not qualify as external commercial borrowings and hence tax exemption for interest payments is not available.